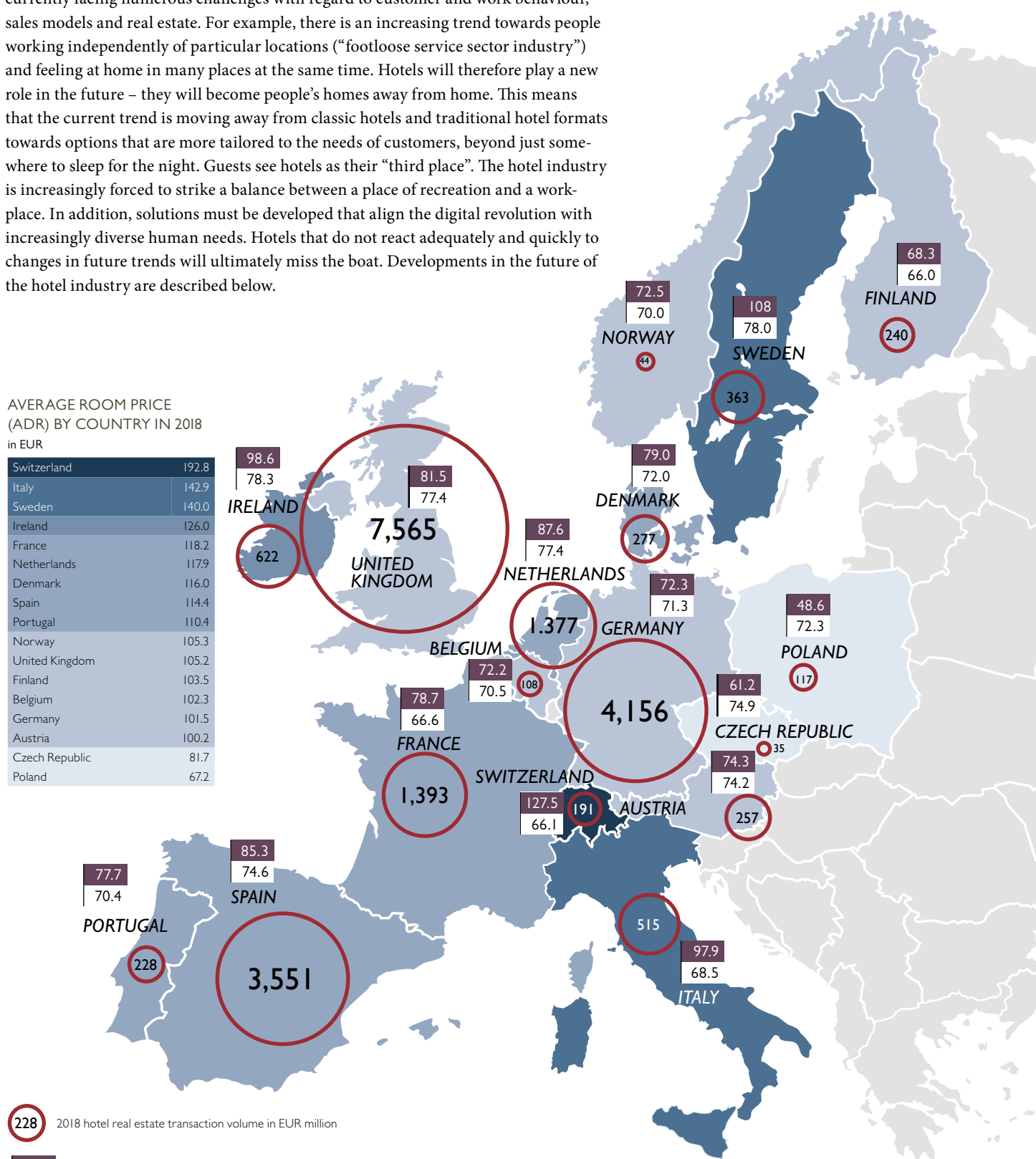


# European hotel market 2019/2020

The hotel market has benefited from a prolonged economic boom in recent years. With developments in globalisation, digitalisation and urbanisation, however, increasing changes can be felt in the hotel industry. Accordingly, the hotel industry is currently facing numerous challenges with regard to customer and work behaviour, sales models and real estate. For example, there is an increasing trend towards people working independently of particular locations ("footloose service sector industry") and feeling at home in many places at the same time. Hotels will therefore play a new role in the future – they will become people's homes away from home. This means that the current trend is moving away from classic hotels and traditional hotel formats towards options that are more tailored to the needs of customers, beyond just somewhere to sleep for the night. Guests see hotels as their "third place". The hotel industry is increasingly forced to strike a balance between a place of recreation and a workplace. In addition, solutions must be developed that align the digital revolution with increasingly diverse human needs. Hotels that do not react adequately and quickly to changes in future trends will ultimately miss the boat. Developments in the future of the hotel industry are described below.

AVERAGE ROOM PRICE  
(ADR) BY COUNTRY IN 2018  
in EUR

Switzerland	192.8
Italy	142.9
Sweden	140.0
Ireland	126.0
France	118.2
Netherlands	117.9
Denmark	116.0
Spain	114.4
Portugal	110.4
Norway	105.3
United Kingdom	105.2
Finland	103.5
Belgium	102.3
Germany	101.5
Austria	100.2
Czech Republic	81.7
Poland	67.2



228

2018 hotel real estate transaction volume in EUR million

127.5

Average 2018 RevPAR in EUR

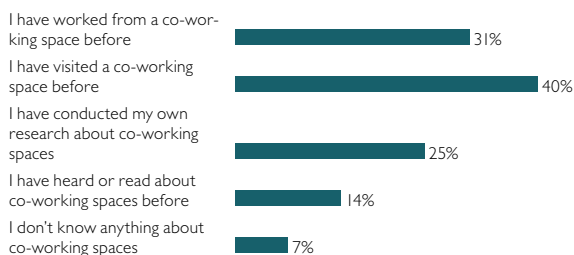
66.1

Average 2018 hotel occupancy in %

### How hotel chains will enter the co-working market

The sharing economy megatrend, here in the form of co-working, is one of the major topics facing the world of work and, increasingly, the hotel industry. More and more business people travel and use hotel rooms, lobbies, cafés and restaurants as places to hold meetings or concentrate on their work. The still relatively new phenomenon of flexible, time-based rental of office workplaces, which includes a community element, has become increasingly commonplace in recent years. In the future, the demand for co-working spaces will also bring about major changes in the hotel industry. The French hotel chain Accor has founded the Wojo company in a joint venture with Bouygues, creating a range of co-working facilities. Together, the companies plan to expand around 1,200 new co-working areas in Europe. The hotel chain 25hours Hotels has been implementing this concept at nine of its hotels in major German cities for several years. The top seven locations are being concentrated on the most closely here. Depending on their needs, customers can book desks, conference rooms, private offices, and so on, in different price categories. Co-working itself is not only about targeted work, but also about cooperation, networking and knowledge transfer. In the future, business travellers in particular will benefit from co-working options at hotels and will have the opportunity to make preparations for appointments, project work or possible on-site customer meetings directly from the hotel. This ensures a beneficial symbiosis between hotel accommodation and flexible working. Office inspiration is becoming a major new trend in the hotel industry.

FIG. 1: AWARENESS OF CO-WORKING SPACES



Multiple answers possible

Source: Fraunhofer IAO

### The hotel without staff: Automated hotels

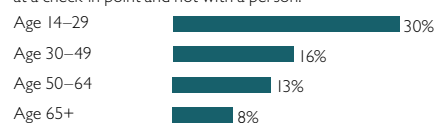
The constant rise in air travel is bringing about a new level of efficiency. As a passenger, you can check in online, leaving long queues behind you. In the hotel industry, too, customers want faster processes without compromising on comfort. One product innovation that caters to this is “automated hotels”, where customers can control everything from their smartphones or from self-service kiosks from the moment they enter the hotel. The customer simply receives an access code to the hotel and their room on their smartphone.

It is no longer necessary to check in and out at the reception desk, enabling customers to save time on arrival and departure. Possible additional services such as breakfast – which can also be obtained from the automated kiosks – can be automatically added to the bill. This type of hotel concept is particularly suitable for business travellers and people who have little time. According to industry surveys, one in five people (19%) would like to be able to open their hotel rooms via smartphone.

On the one hand, the concept benefits the hotel user, and on the other hand, the operator can make massive savings by reducing personnel costs and overall costs. If this is thought through optimally, there would ultimately only be costs for the cleaning staff. This hotel format has now become well established in countries such as the Netherlands. In Germany, however, there is currently only a small number of automated hotels. The concept is attracting a great deal of attention among the younger generation in particular. According to a survey by bitkom, around 30% of 14 to 29-year-olds would book an automated hotel. A different result can be seen among the older generation aged 65 and over, however – only about 8% would consider booking such a hotel. The reason for this is that they often lack trust and the necessary knowledge, which is why they prefer to choose a more traditional hotel instead. It is becoming clear, however, that the highest priority for guests is a quick check-in without a queue. Around 91.4% of business travellers and 85.3% of private travellers rate this as a particularly important factor. The survey shows that business travellers in particular find the concept to be very successful and optimally tailored to their needs. It is therefore only a question of time and priority as to when these developments will also have a structural effect on the private travel market.

FIG. 2: USE OF AUTOMATED HOTELS BY AGE GROUP

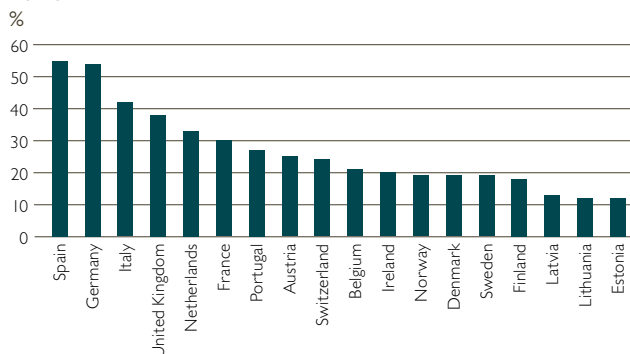
I would book an automated hotel where the check-in is done completely electronically at a check-in point and not with a person.



Source: bitkom

There is great growth potential for new innovative projects at the top German destinations. Germany is and will remain a popular place to travel to. This is reflected in the rising number of overnight stays – up 3.9% to 281.1 million between January and July 2019.

FIG. 3: ATTRACTIVE COUNTRIES FOR HOTEL INVESTMENT IN EUROPE



Source: Hospitality

These alternative trends will lead to further diversification in the hotel industry and thus further differentiation in the yield spectrum. Along with Spain, Italy, France and the United Kingdom, Germany is one of the most attractive investment regions. According to a recent Deloitte survey, new and alternative types of accommodation are the most popular investment choice (25%). Only around 9% of respondents would prefer traditional hotels as investment options. There is thus a great opportunity for unconventional hotels with their niche formats to break out on the market as pioneers. The hotel of the future is defining an individual approach that will enable it to survive on the market and present itself as an independent asset class in the future.

FIG. 4: SELECTION OF OPERATORS OF CO-WORKING AND AUTOMATED HOTELS IN GERMANY

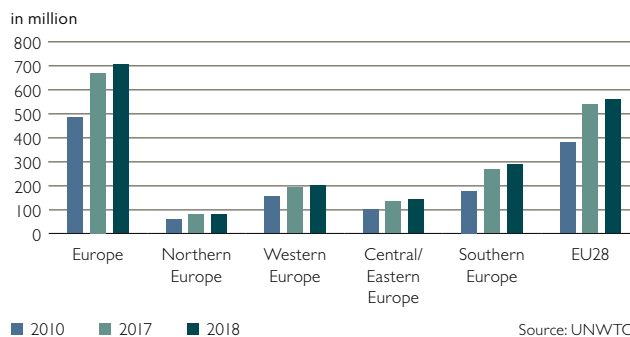


Source: Catella Research 2019

### Rising numbers of tourists throughout Europe

Worldwide tourism has increased strongly in recent decades. In Europe, one of the most visited regions in the world, the numbers rise year after year. This can be seen, on the one hand, in the number of international arrivals and, on the other hand, in the travel and tourism industry's revenue. In 2018, the direct share of gross domestic product (GDP) that related to the tourism sector was 3.9%. The tourism employment share was 5.4% of the working population throughout Europe, corresponding to 12.1 million people in Europe. Almost every thirteenth company can therefore be assigned to the tourism sector. All signs point towards the tourism sector continuing to play an important role in the future.

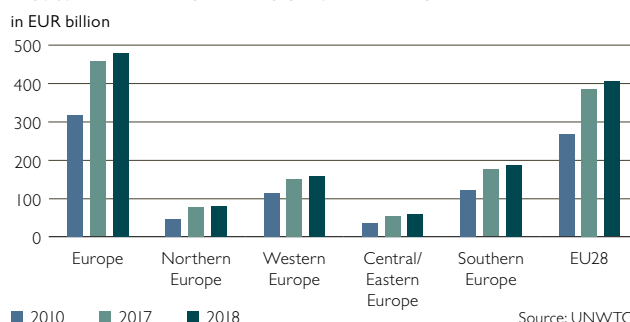
FIG. 5: INTERNATIONAL TOURIST ARRIVALS



Source: UNWTO

Between 2010 and 2018, international tourist arrivals in Europe rose sharply by around 46% to 710 million people. Southern Europe in particular is considered a top destination within Europe. A share of just under 41% of total tourism revenue supports this statement. Over the past eight years, the Central and Eastern European countries and Scandinavia have also benefited from positive global tourism growth, recording impressive growth rates of 44% and 38%, respectively.

FIG. 6: INTERNATIONAL TOURISM REVENUE

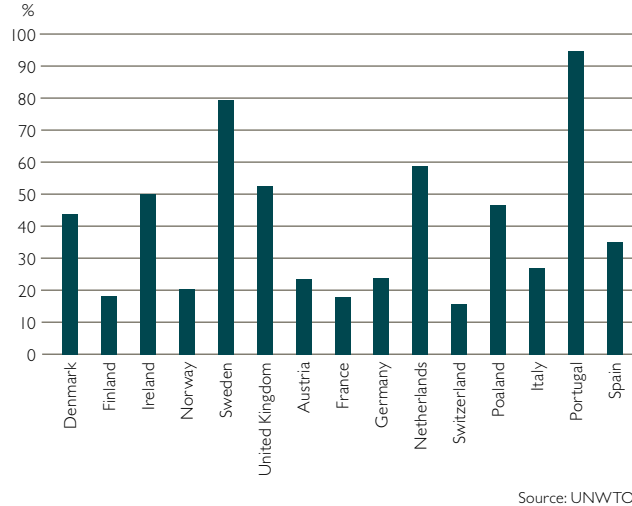


Source: UNWTO

Similarly, revenue from the tourism sector has also increased significantly over the past eight years. Europe-wide, this means an increase of 51%, with the tourism sector generating a total of EUR 483.0 billion in 2018. Western and Southern Europe have the highest revenue. Portugal in particular stands out with an above-average growth rate of almost 100%, followed by Sweden with growth of approximately 79%. Central European coun-

tries such as the Netherlands, the UK and Ireland follow, but at a distance. With an average increase of just under 24% over the past eight years, Germany is on par with countries such as Austria, Norway, Finland and France.

FIG. 7: GROWTH IN TOURISM REVENUE FROM 2010 TO 2018



### Investment market 2019

When we look at the top ten European hotel transactions from 2018, it is clear why the UK is leading the rankings as the strongest investment market in Europe. In 2018, the UK hotel real estate transaction volume totalled approximately EUR 7.56 billion. At around EUR 4.15 billion, Germany ranks second and is a very liquid market due to its extremely high number of transactions. What is especially astonishing is that only one sale in Germany is listed among the top ten transactions. Compared to other European countries, large portfolio transactions above EUR 250 million are rather rare in Germany. In addition, numerous large portfolio sales frequently take place in Spain, which is why the country established itself as the third strongest market in 2018 with approximately EUR 3.55 billion.

FIG. 8: HOTEL TRANSACTION VOLUME IN EUROPE in EUR billion

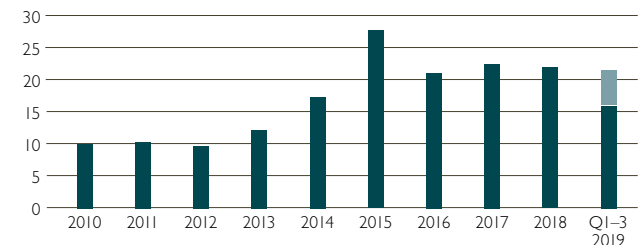


FIG. 9: TOP TEN HOTEL TRANSACTIONS IN EUROPE IN 2018

Portfolio	Location	Country	No. of Hotels	No. of Rooms	Price (EUR)	Price per Room (EUR)	Buyer	Seller
Hispania Portfolio	Various	Spain	46	13,144	2,000,000,000	152,000	Blackstone	Hispania
Principal Hotel Portfolio	Various	UK	14	2,633	942,200,000	358,000	Covivio	Starwood Capital
Ribbon Portfolio	Various	UK	21	4,272	854,900,000	200,000	Vivion Capital Partners	Apollo Global RE
SACO Aparthotel Portfolio UK	London, Edinburgh, Cambridge, Manchester	UK	6	913	439,400,000	481,000	Brookfield AM	Oaktree Capital
Amaris UK&I Hilton Portfolio	Dublin, Edinburgh, Glasgow, London	UK, Ireland	4	895	364,100,000	422,000	LRC Europe	Amaris Hospitality
Amaris UK Mercure Portfolio	Various	UK	19	2,281	311,000,000	136,000	LRC Europe	Amaris Hospitality
Tifco Hotel Group Ireland Portfolio	Various	Ireland	17	2,057	304,700,000	148,000	Apollo Global RE	Goldman Sachs
Hilton Berlin	Berlin	Germany	1	601	297,000,000	494,200	Aroundtown SA	Park Hotels & Resorts
Secure Income UK Portfolio	Various	UK	59	3,041	242,500,000	80,000	Secure Income REIT	GoldenTree Asset Mgmt, Avenue Capital Group, Goldman Sachs
Starwood Capital UK De Vere Hotel Portfolio	Various	UK	6	1,719	184,900,000	108,000	PGIM Real Estate	Starwood Capital

Source: HVS, RCA

### About Catella:

Catella is a leading specialist in property investments and fund management, with operations in 15 countries. The Group manages assets of approximately EUR 17 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

More at [catella.com](http://catella.com)

### Contact:

Prof. Dr Thomas Beyerle  
[thomas.beyerle@catella.de](mailto:thomas.beyerle@catella.de)  
 +49 (0)69 31 01 930 220

Sina Lenz  
[sina.lenz@catella.de](mailto:sina.lenz@catella.de)  
 +49 (0)69 31 01 930 275

Andreas Slupik  
[andreas.slupik@catella.de](mailto:andreas.slupik@catella.de)  
 +49 (0)211 52700 235

Carsten Lieser  
[carsten.lieser@catella.de](mailto:carsten.lieser@catella.de)  
 +49 (0)69 31 01 930 242